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Mexico Moves Ahead with Electricity, Natural Gas Projects in Third Quarter

by LADB Staff

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The Secretaria de Energia (SE) is moving ahead with a number of energy-related projects during the June-September quarter, including concessions for distribution of natural gas and construction of electricity generating plants. During July, the SE-affiliated Comision Reguladora de Energia (CRE) announced concessions for distribution of natural gas in two heavily industrialized areas in Coahuila and Mexico states. In both cases, the concession was awarded to Repsol Mexico, a subsidiary of Spain-based Repsol, S.A.

Repsol Mexico obtains concessions for Coahuila & Mexico states

In the case of the Coahuila concession, the CRE merely formalized an arrangement with Repsol, which had been distributing natural gas in the Saltillo area under a provisional permit since 1967. Under the more permanent CRE arrangement, announced in early July, Repsol received a 30-year permit to supply natural gas to the Saltillo area, including the industrial cities of Ramos Arizpe and Arteaga. In exchange for the concession, Repsol Mexico committed to spend about US\$39 million on construction and infrastructure upgrades during the next five years. As in Saltillo, the concession for Mexico state also involves a highly industrialized region. The new pipeline would serve Toluca and six adjacent communities, which together account for about 18% of Mexico state's GDP and nearly 2% of the national GDP.

Under terms of the concession, Repsol obtained exclusive rights to distribute natural gas in the Toluca area for the next 12 years. According to CRE estimates, natural-gas usage in Toluca is expected to reach about 700 million cubic meters per year by the end of the concession period, almost three times the current usage. Terms set for natural-gas projects in Mexico City & Tamaulipas Separately, the government announced new developments in the concessions for distribution of natural gas in Mexico City and in the Tampico-Altamira industrial region in Tamaulipas state. In Mexico City and some adjacent areas of Mexico state, the CRE said distribution of natural gas will be divided between two separate companies. Each company will service a different geographical region of the metropolitan area.

According to the CRE, the two firms will have to replace an antiquated and obsolete distribution system, which currently serves only 130,000 clients out of a potential 16.6 million customers. The installation of new infrastructure is expected to cost somewhere between US\$900 million and US \$1 billion. The CRE also announced the list of eight finalists for construction of a pipeline in the Tampico-Altamira region in Tamaulipas state. Among others, the list includes Repsol Mexico, giant engineering and construction company Bufete Industrial, and a joint venture that includes Gutsa and the US firm Noram Energy. The company that wins the concession for this project will obtain the natural-gas distribution rights for the next 30 years. The government is expected to announce the winning bidder by Sept. 11.

Concessions for 15 electrical projects due by September

For the electricity related projects, the CRE is scheduled to announce 15 separate concessions for construction of power plants during the third quarter of this year. The CRE announced two of those concessions during July. One was awarded to German-based Grupo Siemens for construction of three small power plants, two in Nuevo Leon and one in Jalisco.

The other concession was awarded to Spanish-based Abengoa for construction of eight small power substations in southeast Mexico. The CRE is expected to announce the winning bidders for four large electrical projects by the end of September. The projects include construction of the Rosarito II, Monterrey II, and Chihuahua conventional plants and the Cerro Prieto geothermal plant. (Sources: Reuter, 07/03/97; El Financiero International, 07/07/97, 07/14/97; El Economista, 06/30/97, 07/03/97, 07/11/97, 07/18/97; The News, 06/30/97, 07/09/97, 07/18/97)

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